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Independence Standards Board

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SEC RECOGNIZES AUTHORITY OF ISB TO ADDRESS AUDITOR INDEPENDENCE QUESTIONS

NEW YORK, February 19, 1998 — The Securities and Exchange Commission (SEC) yesterday issued Financial Reporting Release # 50, recognizing the Independence Standards Board (ISB) as the standard-setting body designated to provide leadership in improving current independence requirements. The Board will also provide guidance with respect to specific auditor independence issues that may arise involving publicly-held companies.

The FRR states that auditor independence principles, standards, interpretations and practices established or issued by the ISB will be considered by the SEC as having substantial authoritative support. Conversely, practices which are contrary to ISB promulgations will be considered as having no such support.

The SEC retains its authority over auditor independence matters, including providing oversight over the ISB and instituting enforcement actions as it deems appropriate. This action also does not modify the authority of state boards of public accountancy to undertake disciplinary actions regarding auditor independence.

The ISB was created jointly by the SEC and the American Institute of Certified Public Accountants (AICPA) to establish a conceptual framework to serve as the foundation for principles-based independence standards for auditors of public companies. It has adopted as its guidance existing published SEC rules and interpretations, which remain in force until such time as the Board modifies or replaces them.

"The SEC's Financial Reporting Release, formally recognizing the role of the newly formed ISB in formation

*President and
CEO
American
Institute of
CPAs*

*James J.
Schiro, CPA
Chairman and
Senior Partner
Price
Waterhouse
LLP*

and promulgation of standards by which to assess auditor independence, is an essential step in the rationalizing and systematization of those standards. As such, we think it is an important step in the protection of investor interests and the efficiency of our capital markets," said William T. Allen who serves as Chair of ISB. "The rapid evolution of information technology, the globalization of product and capital markets, and the changes that have been occurring in the provision of various information services, taken together make systematic re-consideration about auditor independence essential. That is the core mission of the ISB. We are pleased to have the Release issued so that we can pursue that mission in a responsible and deliberate way."

STAFF

*Arthur Siegel,
CPA
Executive
Director*

"While funded by the AICPA's SEC Practice Section, the ISB is an independent organization that sets its own budget, hires its own staff and operates autonomously under the SEC's oversight. In that respect, and in the conduct of its business and deliberative processes 'in the sunshine,' the ISB operates in a manner similar to the Financial Accounting Standards Board (FASB)," Allen said.

*Richard H.
Towers, CPA
Technical
Director*

Further information about the ISB may be found at its website — www.cpaindependence.org.

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